



Department of Justice

FOR IMMEDIATE RELEASE
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**JUSTICE DEPARTMENT WILL NOT CHALLENGE FORMATION
OF RURAL HOSPITAL NETWORK IN WISCONSIN**

WASHINGTON, D.C. -- The Department of Justice today said that it would not challenge a proposal by 21 small, rural hospitals in Wisconsin to form a network to contract with managed care plans and other third-party payers.

The Department's Antitrust Division said the network, as proposed, would pose no threat to competition in the areas served by the members of the network. The Department's position was stated in a business review letter from Joel I. Klein, Acting Assistant Attorney General for the Antitrust Division, to counsel for the hospitals.

The network, to be called RWHC Network, Inc. ("the Network"), would be formed by hospitals that own and operate the Rural Wisconsin Health Care Cooperative ("the Cooperative"), which was formed in 1979 as a shared-services corporation and advocate for rural health services. The hospitals range in size from 8 to 78 beds, with an average size of 38 beds.

According to counsel for the Network, the individual members of the Network do not compete with each other, but rather with outmigration. That is, the alternative to using a local rural hospital is to travel to a larger, more sophisticated, regional

medical center. The creation of the Network will allow these small local hospitals to contract more efficiently with health plans and other third party payers through a single agent.

The Network will employ a third party administrator, probably the Cooperative, to collect and analyze data from each hospital and aggregate this information in order to recommend contracting terms to the members. The administrator will initially negotiate contracts with payers based on a discounted fee for service schedule, but the goal of the Network is to eventually be able to enter into risk-sharing arrangements such as capitated fees. Members will be free to contract individually and to join other networks.

"The existence of the Network will allow managed care plans to contract with the 21 rural hospitals in an efficient and cost-effective manner, thus ensuring that hospital services will continue to be available to consumers in rural areas," said Klein.

The letter states that the Department accepts the Network's contention that members do not compete, and thus their joint contracting efforts should not harm competition. In addition, they have taken steps to aggregate sensitive financial information so that no individual member will have access to any other member's costs or prices.

Under the Department's Business Review Procedure, an organization may submit a proposed course of action to the Antitrust Division and receive a statement as to whether the Division will challenge the activity under the antitrust laws.

A file containing the business review request and the Department's response may be examined in the Legal Procedure Unit

of the Antitrust Division, Room 215 North, Liberty Place, Department of Justice, Washington, D.C. 20530. After a 30-day waiting period, the documents supporting the business review will be added to the file, unless confidentiality had been requested pursuant to paragraph 10(c) of the Business Review Procedure.

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